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TOP BANK PERFORMERS IN 1989
Tables begin on page 21

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Columbia Plan To Sell Its Junk Is a Big Gamble

By SAM ZUCKERMAN

SAN FRANCISCO — Columbia Savings and Loan Association's move to sell its entire $3.5 billion junk bond portfolio is a high-stakes gamble aimed at preserving the troubled thrift's capital so it can stay in business.

Analysts say the Beverly Hills, Calif.-based association, which has assets of $9 billion, has little choice but to try the maneuver. But they doubt Columbia can pull it off.

"This is the first step toward Columbia's demise," said Jay H. Lustig, director of junk bond trading at Drake Capital Securities Inc., Los Angeles. "I can't imagine the regulators not taking them over within a very short time."

ANALYSIS: *Follow-up on the news*

In a meeting with reporters on Wednesday, Edward G. Harshfield, Columbia's new president and chief executive officer, said the junk bond holdings would be sold through a "complete lift-out," meaning the portfolio would be sold as a single block.

Previously, Columbia said it would create a separately capitalized unit headed by former chief executive officer Thomas Spiegel to acquire its junk bonds. Mr. Harshfield's announcement of the sale of the entire portfolio is a variation on the original plan and does not represent an abandonment of the intent to find investors for a separately structured organization that would buy the bonds, sources familiar with Columbia's strategy said.

"A lot of people misunderstood what [Mr.] Harshfield said," one source commented. "This is not a divestiture, fire-sale strategy to just sell $3.5 billion worth of junk bonds to the market in one block. The idea is to structure a transaction in which equity investors would put up a small amount of money."

Two aspects of the plan have changed. Mr. Spiegel will not head any organization that buys Columbia's junk holdings in order to avoid a conflict with his role as an adviser to the thrift on the sale side of the transaction, Mr. Harshfield said.

Columbia is now prepared to partly finance the purchase by taking notes, described as "take-back paper," from the buying organization. Investors would be expected to put up $350 million to $500 million in equity capital, while Columbia would finance debt of about $3 billion.

Columbia hired First Boston

See **COLUMBIA** *page* **20**

INSIDE NEWS

MORTGAGES

THE DELINQUENCY RATE on home loans remained steady at about 5% in the fourth quarter. *Page 14*

INTERNATIONAL

VENEZUELAN OFFICIALS and creditor banks are expected soon to agree on a preliminary debt-reduction pact. *Page 16*

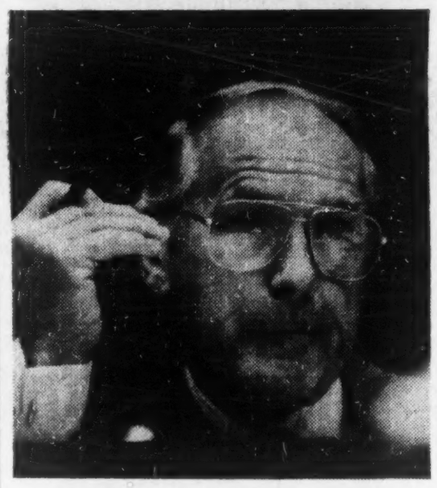
FINANCE

ASSET-BACKED ISSUES will be a popular means of boosting banks' capital ratios as the year progresses. *Page 24*

CONSUMER

SMALL BUSINESSES, which represent 99% of all U.S. companies, are customers that banks should make an effort to keep, says a New York consultant. *Page 10*

CAPITOL HILL



Louise Krafft

REP. DOUG BARNARD blasted the Justice Department, saying it's not doing enough to prosecute those accused of defrauding S&Ls. *Page 5*

TECHNOLOGY

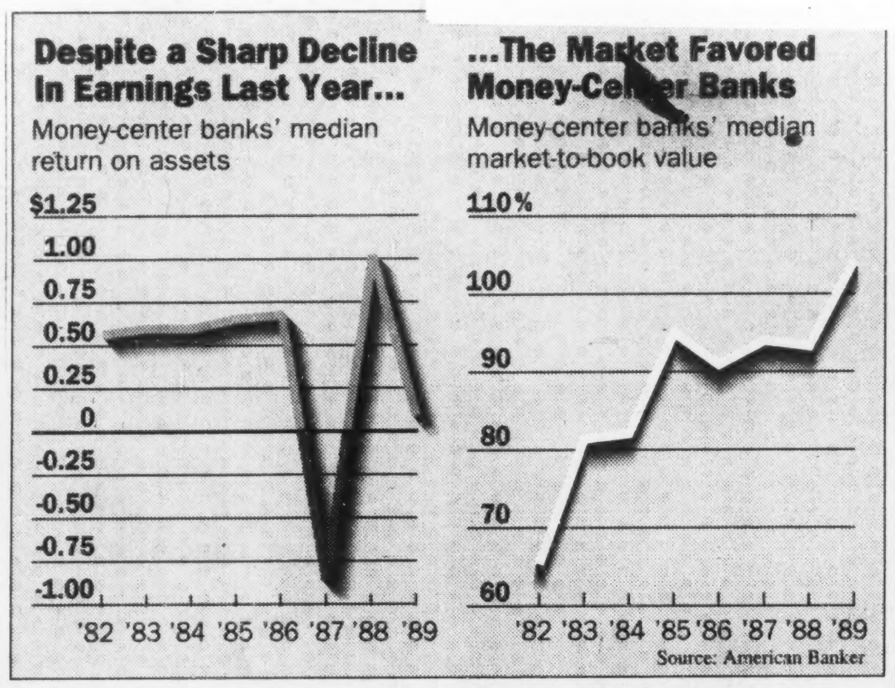
IBM AND FIRST BOSTON have formed a company to market integrated trading and investment management systems to banks. *Page 3*

COMMENT

BANKS THAT ANNOUNCE bad news, such as increased loan-loss provisions, are vulnerable to lawsuits by disgruntled shareholders, writes Scott B. Schreiber. *Page 4*

INDEX

People in the News	2
Company Index	2
Funny Money	4
Executive Changes	6
Thrift Trigger Dates	9
Classified Advertising	20
Bank and Thrift Stocks	23



Banc One Shows Best Return On Assets of a Big Company

By GORDON MATTHEWS

NEW YORK — For the fourth consecutive year, Banc One Corp., Columbus, made more money on its assets than any other giant banking company in the nation. Its return on assets was 1.42%, down 3 basis points from the 1988 level.

The findings, based on the *American Banker's* annual performance study of large banking companies, showed that Wells Fargo & Co., San Francisco, jumped to second place among a group of 37 money-center and superregional banking companies by returning 1.26% on assets. The return was up 12 basis points from the 1988 level, when it ranked sixth in the group. Wells displaced Fleet/Norstar Financial Group, which slipped a notch to third.

Michigan National on Top

When the list of large banks is expanded to include the next 20 largest regionals, Michigan National Corp., Farmington Hills, outperformed even Banc One, with a return on assets of 1.69%.

Michigan National, which

See **BANC ONE** *page* **20**

AARP Said To Consider Eliminating Credit Union

By ROBERT TRIGAUX

WASHINGTON — Industry sources said Thursday that the American Association of Retired Persons may close its two-year-old credit union, which many bankers had feared would grow to be a formidable competitor.

The credit union opened in May 1988 with great fanfare. By drawing on the association's 30 million members, the institution was expected to quickly become the largest credit union and an aggressive marketer of consumer financial services nationwide.

However, growth has been slower than expected. In addition, the AARP Federal Credit Union has come under fire from its peers, who see its untraditional makeup as a political liability in their fight to preserve credit unions' tax advantages. Those two factors have prompted the association to consider pulling the plug on the institution, the sources said.

Robert DeFillippo, a spokes-

See **AARP** *next page*

ABA Welcomes Changes in Bill On Laundering

By ROBERT M. GARSSON

WASHINGTON — As the House Banking Committee prepares to vote Tuesday on money-laundering legislation, key elements appear to have been made more palatable to the banking industry.

The draft legislation, which incorporates pieces of four separate bills, would still require banks for the first time to keep records of wire transfers. And the working version takes the broadest proposed approach, including both domestic and international funds transfers.

However, representatives of the American Bankers Association, reacting to early reports of the working draft, said the legislation appears less burdensome than expected, particularly because the Treasury Department is given a good deal of discretion in implementing the legislation.

"We're opposed to the record-keeping requirements" in the bill, said John J. Byrne, an ABA lobbyist. "But we're pleased there will be an opportunity to continue to deal with Treasury."

See **HOUSE** *page* **20**

Philips Offers Computer Terminal To Compete with Citicorp Phone

By KAREN GULLO

NEW YORK — Philips International, the Netherlands-based computer company that is manufacturing a telephone-like home banking device for Citicorp, is broadening its U.S. marketing effort with a more sophisticated computer terminal that is used in millions of homes in Europe.

Philips believes the terminal will appeal to banks seeking to compete with Citicorp's recently launched home-banking service.

Both the Philips device, called the Minitel, and Citicorp's Enhanced Telephone are cheaper and easier to use than a personal computer.

A Full Keyboard

Citicorp's product, now being test-marketed in New York, is a telephone with a built-in video screen. The Minitel, which sits alongside about five million telephones in France, consists of a small video monitor and full keyboard.

"We saw in France that when two banks began offering a service, every other bank had to follow suit to compete," said Mark Stoner, president of Passport Telecom, Philips' U.S. marketing arm. "We have an existing product that we can offer banks so they don't have to spend millions in developing their own device."

HOME CONNECTION: Philips International's Minitel can deliver banking services.

Mr. Stoner said Philips wants to form joint marketing relationships with banks for home banking services. Philips would supply the Minitel terminals. They would cost consumers about $8 a month, but Philips expects that most banks will include the terminal in home-banking packages that might cost $15 a month.

Philips and Citicorp are pushing these alternative home-banking devices because ser-

See **PHILIPS** *page* **3**

PEOPLE *in the news*

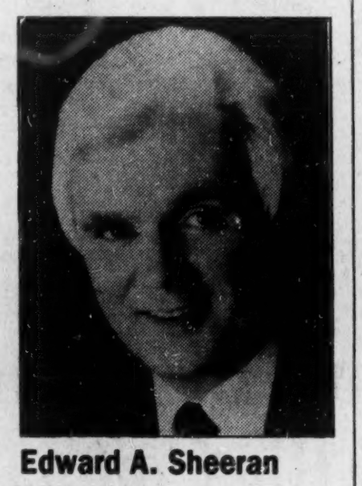
He's True Green with Pride: Banker to Lead the Parade

By ROBERT PAUL MOLAY

When Edward A. Sheeran, a vice president of Chase Manhattan Bank, leads the 229th St. Patrick's Day parade in New York on Saturday, he'll be making history.

It's not that he's the first banker to be so honored. Just two years ago, William J. Burke of the Bank of Ireland was elected grand marshal. Mr. Sheeran's selection breaks ground for another reason. "It's the first time in the history of the parade they've selected somebody from a major American company," he said.

His election is a change in focus for the parade, Mr. Sheeran said. "It's not just an Irish event – it's an American manifestation," he said. "The delegates wanted a change, somebody who was not political or controversial."



Edward A. Sheeran

Mr. Sheeran, 47, faced only the bleakest job prospects when he emigrated nearly 30 years ago from his parents' farm in County Roscommon, and he felt lucky to land a temporary job loading trucks.

"I came here from Ireland at age 18 and joined Chase the following year. Never in my wildest dreams did I think I would end up managing a piece of their business," he said.

Mr. Sheeran is now division executive for the metropolitan community bank of the Chase Manhattan Corp. subsidiary. His division comprises 22 branches in Queens, one of the five boroughs of New York City.

Managing a Chase Branch

Chase hired him in 1962 to assist branch tellers. By 1973, Mr. Sheeran was managing a new Chase branch in a heavily Irish neighborhood in the Bronx borough. "I really zeroed in on the Irish community," he recalled. "They liked relating to someone whose accent sounded familiar. The Irish of Kingsbridge gave me my big business break, and I will always be indebted to them."

Mr. Sheeran became an early proponent of the sales culture in banking. "Bankers in the '70s felt that all they had to do was sit behind a desk and take an order," he said. "Then, 'sales' and 'cross-selling' came as a culture shock to the industry."

Mr. Sheeran has spearheaded efforts of the Queens United Way, Junior Achievement, American Red Cross, Chamber of Commerce, and the American Cancer Society. He underwent surgery in 1986 to remove a cancerous tumor from his lung and said he enjoyed a speedy and complete recovery.

His Secret Revealed

"What's my secret? Being the chairman of an organization is the easiest job you can find. You don't do any of the work yourself. You must surround yourself with good people – just like running a business. If I start on the United Way, I don't take the chairmanship of another group. I usually give about one year to each project.

"My home life during the week is on a tight schedule. I'm often starting before 7 a.m. and still going at 10 or 11 p.m. But Saturday and Sunday are family days."

Of the parade, Mr. Sheeran said, "the excitement has been growing every moment. All of us have egos – and this is certainly satisfying my ego. The question is: How will I feel on March 18?" □

Few Takeovers Seen in Wake Of Connecticut Banking Law

By TOM LEANDER

NEW YORK — Passage of a bill in Connecticut allowing interstate banking nationwide will not spark a rash of takeovers because of the state's distressed real estate market, analysts predicted Thursday.

"Given the asset-quality problems of many banks in the state, I question whether acquirers will want to pay any premium. The real estate market is too uncertain," said Donald Kauth, an analyst at First Albany Corp., an Albany, N.Y., brokerage.

Connecticut's House and Senate compromised late Wednesday and approved a bill allowing banks from states with reciprocal laws to buy or merge with Connecticut banks. The bill also bars the state's Department of Banking from chartering any new bank until February 1992.

Governor to Sign Bill

The bill now goes to Gov. William A. O'Neill, who has said he would sign it. It would take effect immediately. State law now allows banks only from the New England region to acquire banks in the state.

The Connecticut House and Senate clashed last week over when new banks should be allowed to open in the state. The House wanted to make it immediate, but the Senate favored a three-year moratorium to protect local bank charters.

Analysts said Thursday that the state, with 161 financial institutions, is already "fully banked." "We will probably see some of the New York money-center banks expand their franchise into Connecticut," said James E. Moynihan, an analyst for Advest in Boston.

Stock in the average commercial bank in the state is trading at 72% of book value, or 50% less than the 1987 peak, he said, and the average thrift in the state is trading at 55% of book value.

Takeover Candidate

Mr. Moynihan said Citytrust, a $2.6 billion-asset bank company in Bridgeport, is among attractive takeover candidates in the state. Citytrust has been hit hard by losses in its residential real estate portfolio. Its shares traded at $12.75 Thursday afternoon, up from $12 at Wednesday's close.

Passage of the legislation is immediate good news for two major Northeast banking companies, analysts said.

Fleet/Norstar Financial Group Inc. of Providence, R.I., will not now have to divest itself of United Bank & Trust Co., its Connecticut franchise. The state banking commissioner had ordered divestiture in early 1988, after Fleet merged with Norstar, which is based in Albany, outside New England.

And the Bank of New York Co. can complete its merger agreement with New Haven-based Northeast Bancorp. In late afternoon trading Thursday, Northeast Bancorp. was trading at $43 a share, up $3.75 from Wednesday's close. □

Correction

A chart published March 15 ("The Southwest Plan's Report Card," page 1) incorrectly stated the annualized return on equity for 79 rescued thrifts in the third quarter of 1989. The correct figure is 15.8%.

Margery Waxman
Charles H. Keating's lawyer

Keating Letter Invokes Wrath Of Gonzalez

By ROBERT M. GARSSON

WASHINGTON — House Banking Committee Chairman Henry B. Gonzalez said Thursday that a 1988 letter to Charles H. Keating Jr. from his lawyer shows that "the fix was in at the Federal Home Loan Bank Board" to protect Mr. Keating's Lincoln Savings Association from California regulators who wanted to close it.

In the letter, the lawyer, Margery Waxman, said she had pressured the nation's top thrift regulator into directing his staff to conclude an agreement "which will completely satisfy" Mr. Keating.

The letter, obtained by Mr. Gonzalez and released Thursday, was dated May 10, 1988. On the same day, Mr. Keating met with Bank Board Chairman M. Danny Wall to discuss Lincoln Savings and Loan Association, the Irvine,

See **KEATING** *page* **5**

AARP Credit Union On the Rocks

Continued from *page* **1**

man for the credit union, acknowledged that the credit union has dropped one of the three services it offers and is reviewing whether to continue offering the other two. However, he declined to comment directly on whether the credit union was considering closing.

Since its start less than two years ago, the AARP credit union has managed to gather only $150 million in assets from 90,000 customers – a paltry figure, given the Washington-based association's huge membership of older Americans, said sources. In the last seven months, it has grown by only $30 million.

The credit union had been offering a savings account, a Visa credit card, and certificates of deposits. The savings account is being dropped because of lack of use, Mr. DeFillppo said. "We sent some letters at the beginning of the month to 50,000 credit union members announcing we would discontinue the services associated with the savings account," said Mr. DeFillippo.

Regulatory and other sources suggested the cutback by the credit union was largely economic and that the institution's two outside contractors might be anxious to end their relationships. Banc One Corp. of Columbus, Ohio, handles the processing for the AARP's Visa card, and Scudder, Stevens & Clark Inc., in New York, handles the credit union's investment portfolio.

Banc One spokesman John Russell acknowledged that AARP was reviewing its operations, but said the bank was still processing the credit union's Visa business on a normal routine. Scudder could not be reached for comment. □

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A
AARP Federal CU 1
Advest 2
American Bankers Assn. 1
American Continental 2
American National 10
AT&T 1

B
Banc One 1
Bank of Delaware 6
Bank of Hartford 6
Bank of Ireland 2
Bank of New England 1
Bank of New York 2,24
Bank of Nova Scotia 24
BankAmerica 1,3,4,10,16,24
Bankers Trust New York 1,16,24
Banque Paribas 4
Barclays Bank 24
Barnett Banks 1
BayBanks 7
Bear Stearns 1
Bidermann SA 24
Boston Bancorp 6
Brown Brothers Harriman 6
Bryn Mawr Trust 6

C - E
Chase Manhattan 1,2,16
Chemical Banking 1,6
Chrysler 24
Citicorp 1,3,24
Citytrust 2
Columbia Savings 1
Comerica 10
Commerzbank AG 4
Consumer Bankers Assn. 10
Continental 24
CoreStates Financial 1
Cosmopolitan State Bank 6
Credit Commercial de France 1
CSSP Technologies 10
Deutsche Bank AG 4
Drake Capital Securities 1

F
Farley 24
Federal Home Loan Mortgage Corp. 14
Federal Nat'l Mortgage Assn. 14
First Albany 2
First Boston 1,3
First Chicago 1,24
First City Bancorp. 1
First Interstate 1
Fleet/Norstar Financial Group 2
Forstmann Little 24
Frontier Savings Assn. 10

G - L
General Electric 3,10
Goldome Savings Bank 24
Government Nat'l Mortgage Assn. 14
Heller Financial 24
Howard Savings 6
Hudson Valley Holding 6
IBM 1,3
Independent Bankers Assn. 1
Investors Service 24

M - N
Manufacturers Hanover Trust 1,4,24
Marine Midland Banks 24
Mellon Bank 1,6
Merrill Lynch 24
Michigan National 1
MNC Financial 24
J.P. Morgan 1
Mortgage Bankers Assn. 14
Nat'l Mortgage Bk of Greece 16
National City 10
National Marine Bankers Assn. ... 10
National Westminster Bank 6
NCNB 1
New York Clearing House 1
Nippon Credit Bank 24
Northeast Bancorp 2
Northern Trust 1

O - R
Old Stone 6
Olympic Savings 18
Passport Telecom 1
Perpetual Savings 6
Philips International 1
Polaris Group 10
Recognition Equipment 1
Republic New York 1
Residential Services Corp. of Am. 14
Resolution Trust Corp. 1

S - Z
Sanford C. Bernstein 14
Savings Bank 6
Sears Roebuck 1
Security Pacific 1
Seer Technologies 3
SFFed 6
Shawmut National 1,2,24
Sidley & Austin 2
SNL Securities 1
Southwest Gas 10
Stroock & Stroock & Lavin 6
Suntrust Mortgage 14
Trammell Crow 1
U.S. Videotel 1
United States Trust Co. 6
Valley National 1
Visa 1
Wedbush-Morgan Securities 1
Wells Fargo 1,24
Wertheim Schroder 6

COMMENT/*By Scott B. Schreiber*

Bank Hazard: Bad News Sparks Shareholder Suits

Bank holding companies that face the unfortunate prospect of announcing, as part of their quarterly financial results, either unusually large additions to their allowance for loan losses or other bad news are also likely to face the prospect of being sued for federal securities fraud.

Within the last several months, financial institutions in New England and the Southwest have been sued within a day of their press release announcing significant loan-loss provisions.

In virtually identical complaints, filed by the same group of lawyers, shareholders have sought to assert federal securities law claims against such institutions.

The law firm in question is one of several that have developed a specialty in filing shareholder class actions arising from such announcements.

Mismanagement Claim Avoided

Securities claims have been filed, rather than traditional derivative claims alleging mismanagement, to avoid making a demand on the defendant institution that it bring suit against the managers. Such a demand permits a panel of independent directors to exercise business judgment as to whether a lawsuit should be brought.

The new techniques used by law firms representing shareholders to bring such class actions should be understood by holding companies that may become defendants so they can respond effectively.

A decision to increase the reserve for loan losses that are reasonably foreseeable is, of course, closely watched by shareholders and bank regulators. Such decisions often have been supported by regulators and banking analysts.

Tardiness Charged

However, they have also prompted lawsuits essentially based on the proposition that these new estimates of future losses should have been recognized earlier in financial statements, public filings, and periodic announcements of earnings predictions.

The suits have further held that the estimates of increased losses were a result of inadequate lending policies and procedures and ineffective loan review. Seemingly based solely upon newspaper articles announcing the reserve addition, and resultant reduction of predicted quarterly earnings, certain well-known law firms have been quick to file class-action complaints.

As in the case of one pending action against a New England bank holding company, Amoskeag Bank Shares Inc., Manchester, N.H., the complaints uniformly have been brought not only against the holding company, but its officers and directors as well. The named plaintiff seeks to represent a class of all shareholders who purchased securities during a long period before the announcement of the addition to the reserves.

Lengthy Period

In the Amoskeag situation, this period is for more than two years. By filing a class action under Rule 23 of the Federal Rules of Civil Procedure, the named plaintiff and his law firm seek to increase greatly the economic power they have in connection with the litigation.

Ultimately, if there is a judgment after trial or a settlement, the law firm will be reimbursed for its expenses plus fees and the named plaintiff might receive an "incentive" award from the court.

To achieve most readily all of these objectives, however, the named plaintiff must first devise a method to get into federal court by alleging a claim based on federal law.

Many Charges

Accordingly, in these recent cases and most particularly regarding New England banks, plaintiffs have alleged that the previously published financial statements of the institution and its other public announcements were materially false and misleading, contained untrue statements, and omitted material facts in violation of Section 10(b) of the Securities and Exchange Act of 1934.

'To achieve its objectives, the named plaintiff must first devise a method to get into federal court.'

In reality, however, when the allegations have been parsed, they have had less to do with representations of specific facts and more with contentions by the shareholders that the management of the institution was not doing its job.

The allegations made in the Amoskeag case are instructive. Plaintiffs claimed that the institution's allowance for loan loss was understated as of previous dates, that the institution's lending policies and procedures were reported to be adequate and effective when in reality they were not, and that the credit decisions of the institution were not sound when the public had been reassured that there was a competent lending function.

Finally, it was alleged that general statements about expected earnings were inaccurate and were known to be inaccurate when made.

Criticism of Policies

These allegations, however, merely reflect criticism, with the benefit of hindsight, of the institution's loan and investment policies, and disappointment that the institutions' financial performance has declined, sometimes as a result of local economic adversities.

Recognizing that such contentions are nothing more than a shareholder disagreement with the institution's business decisions, courts in several parts of the country have indicated that the criticisms are garden-variety mismanagement claims that simply are not actionable under federal securities laws.

Certain complaints have been dismissed because they merely set forth conclusory allegations of wrongdoing or imprudent business practices that are not supported by any facts other than that the decline in the value of the plaintiff's stock as a result of the market's reaction to the addition to the allowance.

No Insurance Policy

In essence, these courts have found that complaining stockholders have been improperly seeking to transform the securities laws into a federal insurance policy guaranteeing against any loss in the securities markets.

Likewise, claims of inadequacy of the allowance for loan losses have been viewed by courts as condemning nothing more than a failure to predict the strength of the institution and the general economic conditions in the area where the institution transacts business.

Loan reserves are by definition allowances to cover estimated future losses on loan and

See **BANK HAZARD** *page* **18**

Mr. Schreiber is a lawyer with the firm of Arnold & Porter in Washington.

FUNNY MONEY/*By Tom Leander*

Keep on Truckin'

One of West Germany's banks is gearing up – literally – to truck its way into East Germany to offer banking services.

R.J. Kaufman

Commerzbank AG, West Germany's third-largest bank, has outfitted 10 mobile trucks that can quickly be put into service as branches, according to Axel von Ruedorffer, a member of the managing board.

Mr. Ruedorffer said 1,300 West German employees of Commerzbank have volunteered to work in East Germany. Deutsche Bank AG, West Germany's biggest, also plans 10 branches in the East.

— **John Evans**

* * *

Your Car or Mine?

Traffic tie-ups in the San Francisco Bay Area have become so abominable that human resources executives at the Bank of America decided to take matters into their own hands.

Last week, Robert Beck, an executive vice president, and Cynthia Johnson, the employee transportation manager, organized a "commuter fair" at the bank's headquarters to publicize such solutions as flextime and ride sharing. The bank, Ms. Johnson says, is concerned because traffic jams heighten employee stress and bite into company time.

The bank recently set up a computer service that matches up employees in the same ZIP code as candidates for car pools.

"It sounds like computer dating," quipped Ms. Johnson, adding that the service has already matched up some compatible commuters.

* * *

Switcheroo

Employees in Manufacturers Hanover'sNew York headquarters should not have any problem remembering the address of the building where they work. Manny Hanny has switched the first three digits of its phone number from 286 to 270 – the number of its Park Avenue building.

Says a Manny Hanny spokesman, John Meyers, "It's recognizable to the employees. What better number to use?"

* * *

Mayday

Sometimes acronyms adopted by government agencies are inadvertently revealing. For example, government agencies traditionally issue RFPs, or request for proposals – a standard notice to businesses inviting bids on government contracts.

But the Resolution Trust Corp., the agency with the seemingly impossible job of selling billions in assets from failed S&Ls, has adopted a different name for its RFP.

The agency issues a solicitations of services – or SOS.

— **Barbara A. Rehm**

* * *

Haute Banking

When reporters start writing about what's hot in the couture world, they usually go to the designers. But in Paris, they can turn to a bank, too.

Banque Paribas is the main lender to the Japanese designer Kimijima, whose flashy Russian-inspired fall and winter styles – including brocaded boots edged with fur, ballooning satin cossack trousers, and chunky earrings and necklaces – are all the rage in Parisian fashion circles.

Writing about the designer's new line, United Press International reporter Aline Mosby decided to get a comment from the bank. "Kimijima started on this idea last fall," a Banque Paribas spokesman said. "We figured, well, the Americans surely would like it." □

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GLOBAL *dispatches...*

Bankers See Little Change In East Bloc Lending Risk

Reuters

NEW YORK — Despite the political and economic changes sweeping through Eastern Europe and the Soviet Union, the risks in making loans to those countries are little changed, according to a survey of international bankers released Thursday.

The bankers regard the most creditworthy nation to be Japan, trailed by Switzerland, West Germany, and the United States, according to the report, which was conducted by *Institutional Investor* magazine. The creditworthiness rankings of the top four nations were unchanged since a survey six months ago.

The poll of about 100 unidentified international bankers ranks the creditworthiness of 112 countries. The next report, for the six months ending March 1990, will appear in the March edition of the magazine.

The Soviet Union dropped to 25th place from 24th and Bulgaria dropped to 43d from 41st. On the other hand, Poland moved up one notch to 77th place as bankers concluded that its rating was so low that any political and economic initiatives would be a sign of improvement.

The nation whose creditworthiness improved the most was Chile, not only because of "good economic results, but also because it has achieved an aura of political stability and receptivity to foreign capital." the report said. However, it moved up only a notch in in the rankings, to 50th.

Mexico was also considered a much safer bet for repayment of loans as its economy performed strongly and rescheduling negotiations were going well.

But it was China and Colombia whose credibility rankings declined dramatically. China fell to 35th place from 27th, while Colombia dropped to 56th place from 48th.

— Reuters

... by country

SOVIET UNION

The United States will not join a proposed European Development Bank if the bulk of its resources is committed to shoring up the Soviet Union's flagging economy, Treasury Secretary Nicholas Brady said Wednesday in testimony before a House subcommittee.

Soviet Finance Minister Valentin Pavlov, who was in Washington this week meeting with U.S. officials, said he did not expect such a problem.

"We have no intention of joining the bank just to swallow its capital," Mr. Pavlov said through an interpreter. "We are against being singled out."

— Reuters

JAPAN

The Bank of Japan's governor, Yasushi Mieno, said the central bank was still monitoring the effect of higher interest rates on financial and currency markets and the economy following its December increase in the official discount rate to 4.25%.

He told reporters, after returning from a trip to Europe, that the United States and other major industrialized nations would continue strong intervention as necessary to counter currency speculation.

Speculation earlier in the week had focused on the possibility that Mr. Mieno might announce a new increase in the discount rate upon his return from Europe.

— Reuters

THE PHILIPPINES

The Philippines and Britain have signed an agreement to reschedule $25.8 million of debt owed the U.K. Export Credit Guarantee Department, the Philippine Department of Finance said in Manila.

The accord covers official loans maturing between June 1989 and June 1991.

The Philippines is in the process of rescheduling $2.2 billion of official debt owed to 14 Paris Club members falling due over two years. It had previously signed agreements with the United States, Canada, and four other countries.

— Reuters

CHINA

Fearing a recession would be induced by excessive austerity measures, China announced it would inject money into the economy and cut interest rates.

Official newspapers in Beijing said the moves were decided at a banking conference conducted by telephone and headed by the central bank's President Li Guixian on Wednesday.

"They are afraid of a recession which they are in danger of causing. There is no need to continue throttling the economy until its completely lifeless," said a Western economist.

— Reuters

GREECE

The National Mortgage Bank of Greece said it and 12 of its employees in the United States have been indicted by a federal grand jury in New York on 30 charges of unauthorized banking and violations of the Bank Secrecy Act.

The bank, whose majority owner is the government of Greece, said it and its employees intend to plead not guilty and to establish their innocence during the trial.

— Reuters

Venezuelan Debt Pact May Be Near

Negotiators Expect Plan to Include Menu of Options

By JAMES R. KRAUS

NEW YORK — Venezuela and its creditor banks could reach a preliminary debt-reduction agreement over the weekend, according to senior U.S. bankers and Venezuelan officials involved in the negotiations.

"We're going to have a new money and debt-reduction scheme," said one U.S. banker, who asked not to be identified.

Negotiators, meeting in New York this week, declined to spell out the details but said that the agreement is likely to include a menu of options, including new loans, temporary interest rate reduction, and a reduction in principal of between 20% and 35% on a portion of the $22 billion Venezuela owes to foreign banks.

Loan Buyback Option

Another option would allow Venezuela to buy back a portion of its foreign bank debt from banks that offer to sell it at the deepest discount.

As of Sept. 30, Venezuela owed U.S. banks $7.43 billion. BankAmerica is the single biggest U.S. lender to Venezuela, with $ 1.03 billion in medium- and long-term loans, followed by Bankers Trust Co., with $960 million and Chase Manhattan Bank, with $800 million.

As with a debt-reduction agreement signed with Mexico last month, banks that agree to cut the interest or principal on their loans to Venezuela would be allowed to exchange them for government bonds backed by guarantees from the International Monetary Fund and the World Bank, sources said.

Serious debt-reduction talks began with Venezuela in November but were hampered by the country's demands for a reduction of at least 50% of its foreign bank debt.

Banks rejected the Venezuelan demands, arguing that Venezuela's ability to repay its debts was far stronger than the government maintained.

A Year of Debt Reduction

A debt-reduction agreement with Venezuela would be the fourth since Treasury Secretary Nicholas F. Brady one year ago called on commercial banks to forgive a portion of their loans to financially troubled countries in order to spur their economic recovery.

Agreements have so far been signed with Mexico, Costa Rica, andthe Philippines. Debt-reduction negotiations are currently under way with Morocco.

A new government in Brazil, which takes office today, is also expected to begin debt-reduction talks with banks soon. □

Venezuelan Exposure

As of Sept. 30, 1989

	($ mil.)
BankAmerica	$1,030
Manufacturers Hanover	960
Chase Manhattan	800
Chemical Banking	618
Citicorp	600
Bank of New York	399
Bankers Trust	358*
J.P. Morgan	300*
Continental Bank	242
First Chicago	161

* Total outstandings
Source: Keefe, Bruyette & Woods Inc.

A Venezuelan pact would be the fourth under the Brady plan for debt reduction.

Study Finds U.S., U.K. Families Borrow Most

By JOHN EVANS

LONDON — The average American household owes nearly five times the debt of its counterpart in Europe and easily leads the world in use of consumer credit, according to a British consumer protection agency.

However, Britain tops all other industrial nations in terms of interest rates, which can range up to 500% annually, says the National Consumer Council, in a report distributed to banks, finance houses, and thrifts.

British 2d Only to Americans

The average U.S. household has mortgage and consumer debt of $71,500, more than half the average British family's borrowings of $35,500.

The British average is the highest in Europe. West Germany had borrowings of $27,700 for each household, France $27,650, and the Netherlands $5,000.

High Interest Rates

Switzerland is at the bottom of the list. The average household borrows, on average, only $800.

In terms of interest charges, Britain outstripped its European neighbors, with rates ranging from 12.5% to 500%, which is 485 percentage points above the current British prime rate. The highest rates were charged on small loans for short periods by "doorstep" salesmen working for finance companies, the council said.

Elsewhere in Europe, banks and credit suppliers are not allowed to assess more than a certain percentage about the prevailing prime rates.

Consumer interest rates in France last year were between 8% and 17.96%, in Germany between 9% and 25%, and in Holland between 9.5% and 18.8%.

More Information Urged

While half of Europe's 45 million credit cards are held by the British, the French are ahead in card use. A Frenchman charges goods or services five times a month on average, compared with a Britain's two times.

The National Consumer Council is calling for more information for Britain's consumers so they can compare lenders' rates, as well as for more money-advice centers and credit counselors. □

Key International Rates*

	Day-to-day money			3-mo. interbank			6-mo. interbank			Discount rate			Prime equivalent		
	3/15	3/14	3/08	3/15	3/14	3/08	3/15	3/14	3/08	3/15	3/14	3/08	3/15	3/14	3/08
United States	8.31	8.31	8.31	8.56	8.56	8.43	8.75	8.75	8.50	7.00	7.00	7.00	10.00	10.00	10.00
Japan	7.06	6.87	6.56	7.68	7.68	7.43	7.87	7.87	7.56	4.25	4.25	4.25	4.87	4.87	4.87
Canada	13.06	13.00	13.31	13.37	13.12	13.25	13.25	13.12	13.06	13.31	13.31	13.41	14.25	14.25	14.25
U.K.	15.00	14.93	14.93	15.37	15.31	15.25	15.56	15.50	15.43	14.45	14.45	14.45	15.00	15.00	15.00
West Germany	7.81	8.06	7.81	8.37	8.43	8.37	8.87	8.93	8.75	6.00	6.00	6.00	10.50	10.50	10.50
Switzerland	8.75	8.87	8.68	9.00	9.12	9.00	9.12	9.12	9.06	6.00	6.00	6.00	11.00	11.00	11.00
France	10.28	N/A	10.18	10.68	N/A	10.68	10.87	N/A	10.87	9.50	9.50	9.50	11.00	11.00	11.00
Italy	12.18	12.06	11.71	12.69	12.67	12.75	13.06	13.06	13.00	13.50	13.50	13.50	14.00	14.00	14.00

Forward Rate Agreements

	U.S. dollars	Sterling	West German marks	Swiss francs	Yen
3 to 6 months	8.77	15.25	9.05	9.08	7.93
6 to 12 months	9.07	14.86	9.35	9.03	7.98
12 to 24 months	9.53	14.09	8.41	8.43	7.79

* Midday quotes in the New York market

Source: Noonan, Astley & Pearce Inc., New York.

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